

Message Text

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ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 NEAE-00 AF-04 EUR-08 INR-05
CIAE-00 NSAE-00 EB-04 OMB-01 SP-02 NSCE-00 IO-06
L-01 H-01 PA-01 /055 W
-----097107 071601Z /45

P 071425Z JUN 78

FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC PRIORITY 1175
INFO AMEMBASSY ABU DHABI
AMEMBASSY AMMAN
AMEMBASSY BONN
AMEMBASSY CAIRO PRIORITY
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KHARTOUM
AMEMBASSY LONDON
AMEMBASSY PARIS
DEPT TREASURY WASHDC PRIORITY

CONFIDENTIAL SECTION 1 OF 2 KUWAIT 3443

LIMDIS

E.O. 11652: GDS
TAGS: EAID, EFIN, EG
SUBJECT: ARAB AID TO EGYPT--CONSULTATIVE GROUP MEETING

REF: (A) KUWAIT 3405, (B) STATE 135986 (NOTAL), (C) CAIRO
14319 (NOTAL), (D) CAIRO 14011 (NOTAL), (E) CAIRO 14005 (NOTAL),
(F) KHARTOUM 2123 (NOTAL), (G) KUWAIT 2746 (NOTAL), (H) KUWAIT
2747.

1. SUMMARY: AS REPORTED REF A, KUWAIT FUND DIRECTOR GENERAL
AL-HAMAD WILL ATTEND PARIS CONSULTATIVE GROUP MEETING ON
EGYPT. HE REMAINS FRUSTRATED BOTH THAT EGYPT IS NOT DOING
MORE TO GET ITS ECONOMIC HOUSE IN ORDER, AND THAT IT CONTINUES
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TO LEAVE ARAB DONORS IN THE DARK ON ITS ECONOMIC PLANS. HE
HAS HELPED EGYPT AND WILL CONTINUE TO HELP, BUT FEELS
THAT PRESSURE IS NEEDED TO BRING ABOUT ESSENTIAL CHANGES
THERE. THE MISSING ELEMENT IN EGYPT IS NOT SO MUCH
FINANCE AS IT IS SOUND MANAGEMENT, AND A WILLINGNESS TO
HEED SOUND ADVICE. IN AL-HAMAD'S EYES, THE EGYPTIANS
ARE FAILING TO MAKE THEIR CASE WITH THE RIGHT PEOPLE

AMONG ARAB DONORS, AND HE ASKS US TO BRING HOME TO THE EGYPTIANS THE IMPORTANCE OF THEIR STARTING AND MAINTAINING A SERIOUS DIALOGUE WITH THOSE DONORS. END SUMMARY.

2. CHARGE ACCCOMPANIED BY E/C SECTION CHIEF BUCK CALLED ON KUWAIT FUND DIRECTOR GENERAL ABDUL LATIF AL-HAMAD JUNE 6 AND MADE DEMARCHE ALONG LINES OF PARA 7 REF B. FOLLOWING IS GIST OF AL-HAMAD'S LONG AND ANIMATED REPLY.

3. PARIS CONSULTATIVE GROUP MEETING. AL-HAMAD SAID HIS COLLEAGUES AT THE KUWAIT FUND WERE CONVINCED BY IBRD OFFICIAL PAIJMANS DURING HIS VISIT TO KUWAIT IN MID-MAY THAT THE SITUATION IN EGYPT IS LESS GLOOMY THAN IT APPEARED. ACTING ON THEIR ADVISE AL-HAMAD DECIDED TO ATTEND THE PARIS CONSULTATIVE GROUP MEETING ON EGYPT. IT HAD APPEARED THAT THIS MEETING WOULD CONFLICT WITH THE IDA REPLENISHMENT MEETING IN LONDON JUNE 15, BUT HE LEARNED JUNE 5 THAT THIS WAS NOT THE CASE AND SO WILL ATTEND.

4. EGYPT: ALTHOUGH NOW WILLING TO ATTEND THE CG MEETING, AL-HAMAD HAS LOST NONE OF HIS SENSE OF FRUSTRATION OVER WHAT HE FEELS IS A DEPLORABLE EGYPTIAN UNWILLINGNESS TO SET ECONOMIC PRIORITIES, TO LISTEN TO ADVICE FROM THEIR FRIENDS OR EVEN TO KEEP THEM INFORMED. AL-HAMAD REPEATED HIS COMPLAINT (REF H) THAT ALTHOUGH THE EGYPTIANS HAD

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PROMISED TO COME UP WITH A FIVE YEAR PLAN BY AUGUST 1977, THEY STILL HAD NOT DONE SO. HE HAD RECEIVED THE IBRD REPORT ON EGYPT (REF B), BUT THIS DID NOT FILL THE BILL. TO PUT IT BLUNTLY, AL-HAMAD SAID, AS HE HAD TOLD MORGAN STANLEY'S DEBS, ALL OF FORT KNOX COULD BE PLACED IN TAHRRIR SQUARE AND IT WOULD SINK INTO THE GROUND WITHOUT A TRACE. EGYPT'S PROBLEM WAS NOT MONEY, BUT MANAGEMENT. JORDAN WAS A GOOD COMPARISON. THE COUNTRY HAD NO RESOURCES; IT LOST HALF ITS TERRITORY; IT SUFFERED A CIVIL WAR, AND YET IN THE PAST 7 YEARS, UNDER THE DYNAMIC ECONOMIC LEADERSHIP OF PRINCE HASSAN, JORDAN HAD MADE ENORMOUS STRIDES. JORDAN HAD DONE THIS BECAUSE ITS LEADERSHIP KNEW WHERE THEIR COUNTRY SHOULD BE GOING AND HAD MADE ITS NEEDS PLAIN. BECAUSE OF THIS, AL-HAMAD WAS RIGHT NOW TRYING TO FIGURE OUT SOME WAY HE COULD FIND MORE FUNDS TO FINANCE A POTASH PROJECT IN JORDAN.

5. IN COMPARISON AL-HAMAD SAW NOTHING IN EGYPT BUT MIS-MANAGEMENT. FOR EXAMPLE, THE KUWAIT FUND HAD AGREED TO FINANCE THE TALHA FERTILIZER PLANT, WHICH WOULD PROVIDE VITAL FERTILIZER FOR EGYPT'S AGRICULTURAL ECONOMY. YET, BECAUSE THE EGYPTIANS HAVE NOT COME UP WITH 1 MILLION

EGYPTIAN POUNDS IN COUNTERPART FINANCING, THE PROJECT IS DELAYED AND EGYPT MUST PAY 12 MILLION DOLLARS A MONTH FOR DAMAGES AND FERTILIZER IMPORTS AL-HAMAD CLAIMED. WHAT IS NEEDED IN EGYPT IS REAL REFORM, AL-HAMAD SAID. THIS DOES NOT NECESSARILY MEAN CUTTING SUBSIDIES FOR THE POOR, BUT IT DOES MEAN SETTING PRIORITIES AND HAVING A LEADERSHIP WILLING TO LISTEN TO SOUND ECONOMIC ADVICE. MANY EGYPTIAN MINISTERS HAD A SIX-MONTH HORIZON. THOSE WHO ARE EGYPT'S REAL FRIENDS SHOULD KEEP THE PRESSURE ON EGYPT TO MAKE THE NECESSARY REFORMS AND TO GIVE EGYPT THE BAD NEWS RATHER THAN BLANDLY LETTING EGYPT DELAY ACTIONS WHICH ARE VITALLY NEEDED. "THE EGYPTIANS DON'T LISTEN TO US BECAUSE WE TELL THE UNPLEASANT TRUTH." KAISSOUNI DID LISTEN, BUT NOW HE IS GONE. EL SAYEH WILL LISTEN BUT WILL

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THE LEADERSHIP LISTEN TO EL SAYEH? KUWAIT USED TO HAVE REAL INFLUENCE WITH EGYPT, BUT NOT ANY MORE. NOW IT IS ONLY YOU AMERICANS WHO CAN INFLUENCE EGYPT."

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6. WHAT IS TO BE DONE. EXPANDING ON EARLIER THEMES (REF H), AL-HAMAD SAID THAT OVER AND ABOVE CURBING CORRUPTION IN THE PRESENT ADMINISTRATION, EGYPT'S MOST VITAL NEED WAS TO ORGANIZE THE GOVERNMENT IN SUCH A WAY THAT SOME SORT OF A COORDINATED PLAN COULD BE CARRIED OUT. A PLANNING MINISTRY SHOULD BE SET UP WITH REAL POWER THAT COULD TAKE DECISIONS AND COORDINATE GOVERNMENT POLICY RATHER THAN LETTING THE PRESENT SITUATION CONTINUE IN WHICH COMPETING BUREAUCRACIES COUNTERBALANCE EACH OTHER, PRODUCING INERTIA. LACK OF DIRECTION, NOT FINANCE, WAS EGYPT'S NUMBER ONE ECONOMIC PROBLEM, AL-HAMAD CONTENDED.

7. GODE. AL-HAMAD CLAIMED THAT THE ORGANIZATION HAD BEEN CONFIDENTIAL

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VIRTUALLY HIS CREATION. HE HAD URGED THAT IT BE SET UP IN ORDER TO HAVE AN ONGOING VEHICLE FOR CHANNELING AID TO EGYPT IN A CONSTRUCTIVE FASHION. HOWEVER, THE EGYPTIANS DID NOT USE IT IN THIS WAY, JUST AS THEY DID NOT USE THE CONSULTATIVE GROUP AS THEY SHOULD. "THIS YEAR, LIKE LAST YEAR, THEY WILL SET UP THEIR TENTS AND WE WILL HAVE A MEETING. THE MEETING WILL END AND THE TENTS WILL BE PUT AWAY FOR THE NEXT YEAR AND NOTHING WILL HAPPEN IN BETWEEN." EGYPT, AL-HAMAD SAID IN ALMOST PLEADING TONES, SHOULD BE REGULARLY IN CONTACT WITH THE KUWAIT FUND AND OTHER ARAB DONORS ABOUT ITS NEEDS AND WHAT IT IS DOING INSTEAD OF COMING AROUND ONCE A YEAR, HAT IN HAND, WITH NO PREPARATION. IT WAS NOT ENOUGH FOR SADAT TO ASK KING KHALID FOR MORE. IF THE EGYPTIANS WERE SMART THEY WOULD BE IN TOUCH WITH AND CULTIVATE THE DAILY PLAYERS IN THE ARAB AID BUSINESS SUCH AS SAUDI FINANCE MINISTER ABA AL-KHAYL, KUWAIT FINANCE MINISTER ATEEQI, GODE CHAIRMAN DAKHEEL, ETC. "IT IS CRUCIAL TO BE ON THE RIGHT SIDE OF THESE PEOPLE. THE EGYPTIANS SHOULD USE A TWO-TRACK APPROACH, AT THE TOP AND THE MIDDLE LEVELS, BUT THEY DON'T." AS FOR ANY FUTURE GODE MEETINGS, AL-HAMAD SAID HE KNEW OF NONE SCHEDULED FOR THE NEXT FEW MONTHS.

8. SUDAN. SUDAN'S PRESIDENT NUMAYRI VISITED KUWAIT JUNE 5-6 ACCOMPANIED BY A NUMBER OF TOP SUDANESE OFFICIALS. IN RESPONSE TO OUR QUERY AS TO WHETHER THIS VISIT INCLUDED DISCUSSIONS OF SUDAN'S ECONOMY AND KUWAIT ASSISTANCE TO THE SUDAN, AL-HAMAD, WHO IS KEY FIGURE ON ALL QUESTIONS OF KUWAIT ASSISTANCE, SAID HE KNEW OF NONE. HE ADDED THAT HE'D SEEN NOTHING TO CHANGE THE VIEWS HE HAD GIVEN US ON

SUDAN THE LAST TIME WE TALKED WITH HIM (REF G).

9. COMMENT. AL-HAMAD GAVE EVERY IMPRESSION OF BEING INTENSELY
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INTERESTED IN AND COMMITTED TO SUPPORT OF EGYPTIAN ECONOMIC DEVELOPMENT. HE HAS DONE A GREAT DEAL FOR EGYPT BEFORE AND WILL CONTINUE TO DO SO. BUT HE IS TRULY TRUSTRATED BY WHAT HE SEES AS EGYPT'S INABILITY TO HELP ITSELF, TO MAKE THE CHANGES NECESSARY TO MAKE GOOD USE OF HELP IT RECEIVES, OR EVEN TO INTELLIGENTLY CULTIVATE ITS FRIENDS. WE DISAGREE WITH KHARTOUM'S VIEW OF AL-HAMAD AS SOMEONE MERELY SITTING IN A "QUIET, CARPETED CLOISTER" (REF F). HE HAS MORE EXPERIENCE IN THE AID BUSINESS THAN ANY OTHER ARAB OFFICIAL. HE IS WELL INFORMED, ARTICULATE, AND WHOLLY DEDICATED TO DEVELOPMENT IN THE ARAB WORLD. WHETHER HE IS ACCURATE OR WISE WHEN HE DESCRIBES EGYPT'S PROBLEMS IS NOT FOR US TO SAY. BUT WHEN HE SAYS THE EGYPTIANS ARE NOT TALKING TO HIM, AND ARE NOT MAKING THEIR CASE WITH ARAB DONORS, WE SHOULD LISTEN. IT IS NOT THAT AL-HAMAD WANTS TO FEEL SOUGHT AFTER--HE IS ANXIOUSLY ASKING FOR A MEAN-
INGFUL, CONTINUING DIALOGUE WITH THE EGYPTIANS WHICH HAS NOT COME ABOUT, AND HE IS ASKING US TO BRING HOME TO THE EGYPTIANS HOW IMPORTANT THAT DIALOGUE IS.

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Message Attributes

Automatic Decaptoning: Z

Capture Date: 01 jan 1994

Channel Indicators: n/a

Current Classification: UNCLASSIFIED

Concepts: ECONOMIC ASSISTANCE, CONSORTIUMS, MEETINGS

Control Number: n/a

Copy: SINGLE

Draft Date: 07 jun 1978

Decaption Date: 20 Mar 2014

Decaption Note: 25 YEAR REVIEW

Disposition Action: RELEASED

Disposition Approved on Date:

Disposition Case Number: n/a

Disposition Comment: 25 YEAR REVIEW

Disposition Date: 20 Mar 2014

Disposition Event:

Disposition History: n/a

Disposition Reason:

Disposition Remarks:

Document Number: 1978KUWAIT03443

Document Source: CORE

Document Unique ID: 00

Drafter: n/a

Enclosure: n/a

Executive Order: GS

Errors: N/A

Expiration:

Film Number: D780238-0036

Format: TEL

From: KUWAIT

Handling Restrictions:

Image Path:

ISecure: 1

Legacy Key: link1978/newtext/t19780687/aaaacwqi.tel

Line Count: 253

Litigation Code IDs:

Litigation Codes:

Litigation History:

Locator: TEXT ON-LINE, ON MICROFILM

Message ID: b93e5e90-c288-dd11-92da-001cc4696bcc

Office: ACTION NEA

Original Classification: CONFIDENTIAL

Original Handling Restrictions: LIMDIS

Original Previous Classification: n/a

Original Previous Handling Restrictions: n/a

Page Count: 5

Previous Channel Indicators: n/a

Previous Classification: CONFIDENTIAL

Previous Handling Restrictions: LIMDIS

Reference: 78 KUWAIT 3405, 78 STATE 135986

Retention: 0

Review Action: RELEASED, APPROVED

Review Content Flags:

Review Date: 27 jun 2005

Review Event:

Review Exemptions: n/a

Review Media Identifier:

Review Release Date: n/a

Review Release Event: n/a

Review Transfer Date:

Review Withdrawn Fields: n/a

SAS ID: 2457597

Secure: OPEN

Status: NATIVE

Subject: ARAB AID TO EGYPT--CONSULTATIVE GROUP MEETING

TAGS: EAID, EFIN, EG

To: STATE

Type: TE

vdkgvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/b93e5e90-c288-dd11-92da-001cc4696bcc

Review Markings:

Sheryl P. Walter

Declassified/Released

US Department of State

EO Systematic Review

20 Mar 2014

Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014